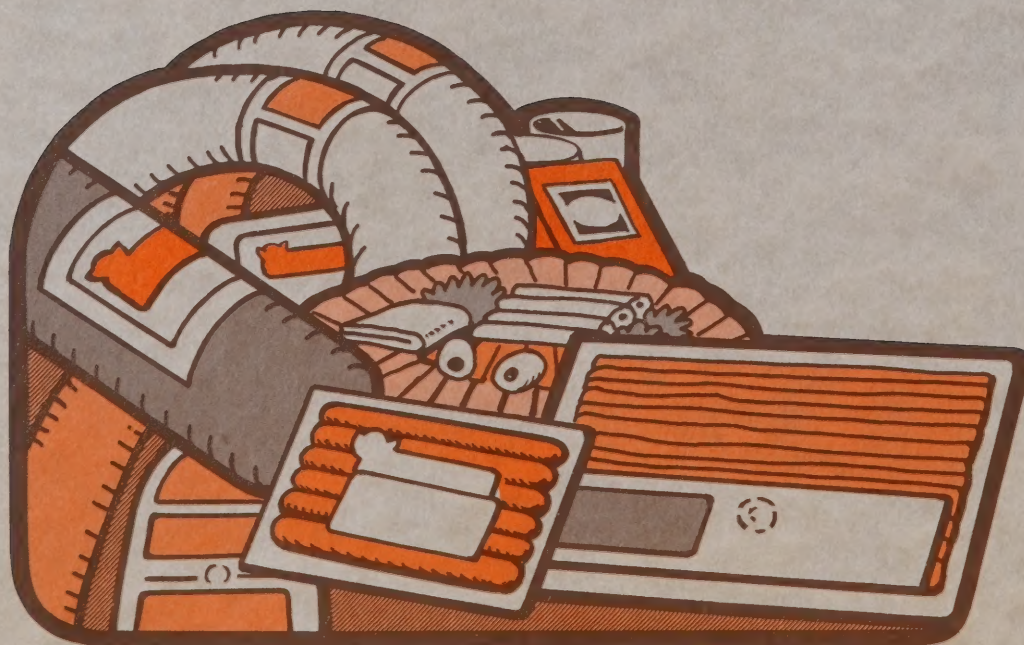


AR49



“Taste the Difference Quality Makes”

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June, 1974
Kitchener, Ontario

TO OUR SHAREHOLDERS:

The consolidated results for the first twenty-eight weeks ended May 11 of our 1974 fiscal year show an increase of 24% in dollar sales and 15% in net earnings over the same period last year. Net earnings per share are up 12% with more shares outstanding. Net earnings per dollar of sales are 1.53 cents compared to 1.64 cents for 1973 and an average of 1.85 cents for the ten years ending 1973.

The second quarter saw further declines in meat prices, especially on boneless beef. These may lead to curtailed pork and beef supplies in 1975 and 1976.

We are pleased with the recently announced hog stabilization plan by the Federal Government to guarantee Canadian hog producers a minimum margin over their feed costs. It leaves the actual price to be determined in the marketplace and could bring some future uniformity to hog marketing in Canada. Presently almost every province but Ontario has its own different and unrelated hog bonus or subsidy program.

We are concerned with the effects of continuing inflation. Higher costs require increased working capital. Depreciation allowances are inadequate to replace buildings and equipment at current costs. These demands put a strain on net after-tax earnings. Considering these additional abnormal inflation-induced demands for capital, today's profit levels are not satisfactory.

Fred A. Schneider

Chairman of the Board

2nd INTERIM REPORT

28 WEEKS ENDED
MAY 11th

1974**J. M. SCHNEIDER, LIMITED**

J. M. SCHNEIDER, LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Twenty-eight Weeks Ended		Twelve Weeks Ended	
	May 11 1974	May 12 1973	May 11 1974	May 12 1973
	(in thousands)		(in thousands)	
Sales	\$102,987	\$82,973	\$45,001	\$38,305
Earnings before income taxes	2,808	2,572	1,221	1,071
Income taxes	1,235	1,209	537	503
Net earnings	1,573	1,363	684	568
Earnings per share	58¢	52¢	25¢	21¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(Unaudited)

Source of Funds	Twenty-eight Weeks Ended	
	May 11 1974	May 12 1973
	(in thousands)	
Operations		
Net earnings for the period	\$ 1,573	\$ 1,363
Depreciation and amortization	976	845
	<u>\$ 2,549</u>	<u>\$ 2,208</u>
Issue of Class B preference shares -		
For cash	—	60
For acquisition of subsidiary companies and other businesses	—	2,341
Sale of fixed assets	—	8
Decrease in other assets	10	7
	<u>\$ 2,559</u>	<u>\$ 4,624</u>
Application of Funds		
Additions to fixed assets	\$ 2,016	\$ 2,123
Dividends, including tax paid on undistributed income	378	357
Excess of cost over book values at dates of acquiring shares of subsidiary companies	—	488
Acquisition of goodwill	9	1,542
Decrease in non-current portion of long term debt	31	28
	<u>\$ 2,434</u>	<u>\$ 4,538</u>
Increase in Working Capital	\$ 125	\$ 86
Working Capital at Beginning of Period	9,713	8,504
Working Capital at End of Period	<u>\$ 9,838</u>	<u>\$ 8,590</u>



	1974	1973
Sales	\$202,270,000	\$177,191,000
Net earnings	\$3,286,000	\$2,708,000
Earnings per share	\$1.21	\$1.04
Percent of sales	1.62%	1.53%
Percent of shareholders' equity	11.97%	10.85%
Dividends (including tax paid on undistributed income)	\$810,000	\$727,000
Rate per share	30¢	28¢
Working capital	\$11,581,000	\$9,713,000
Working capital ratio	1.85	1.68
Shareholders' equity	\$27,447,000	\$24,970,000
Per share	\$10.16	\$9.25

Notice to Shareholders of Annual General Meeting

The Annual General Meeting of shareholders will be held at the Valhalla Inn, Kitchener, Ontario on Wednesday, April 9th, 1975 at 7:30 p.m. Shareholders are cordially invited to attend.

DIRECTORS

F.P. Schneider

Kitchener, Ontario
Chairman of the Board

K.G. Murray

Bright, Ontario
President

***D.C. Jamieson**

Waterloo, Ontario
Vice-President Finance
& Administration

J.B. Banks

Waterloo, Ontario
Vice-President Operations

H.G. Beben

Waterloo, Ontario
Vice-President Sales
& Marketing

H.J. Schneider

Kitchener, Ontario
Vice-President Personnel &
Public Relations

H.G. Schneider

Kitchener, Ontario
Vice-President & Director of
Research & Development

R.W. Steinberg

Kitchener, Ontario
Director Technical Services

***M.R. Good**

Breslau, Ontario
President & General Manager
H. Boehmer & Co. Limited

G.A. Mackay, Q.C.

Kitchener, Ontario
Partner—Bray, Schofield,
Mackay, Kirvan & Guy

***H.W. Main**

Kitchener, Ontario
Executive Vice-President
Electrohome Limited

*Members of the Audit Committee

OFFICERS

Frederick Paul Schneider

Chairman of the Board

Kenneth George Murray

President

James Blanding Banks

Vice-President Operations

Dawson Charles Jamieson

Vice-President Finance
& Administration

Howard George Schneider

Vice-President & Director
of Research & Development

Herbert John Schneider

Vice-President Personnel
& Public Relations

Henry George Beben

Vice-President Sales & Marketing

Gordon Alexander Mackay

Secretary

Anna Grace Hartleib

Assistant Secretary

HONORARY DIRECTOR

N.C. Schneider

Past Chairman

HEAD OFFICE

J.M. Schneider, Limited
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
N2G 3X8

REGISTRAR and

TRANSFER AGENT

The Canada Trust Company
Toronto, Montreal, Winnipeg
& Vancouver

AUDITORS

Thorne Riddell & Co.

SHARES LISTED

Toronto Stock Exchange
Montreal Stock Exchange



Fiscal 1974 for J.M. Schneider, Limited, was an excellent year. Growth in market areas served, market penetration, sales, earnings and production capacity was achieved.

It was the first full year's operation for all recent acquisitions of the company and reflects new records in sales and earnings. Sales increased by 14.2% to \$202,270,000 and earnings were up 21.3% to \$3,286,000. Earnings per share were \$1.21 compared to \$1.04 in 1973.

Such achievements were accomplished by the active participation of our people. Dedicated people have been the reason for our success in the past and will be the reason for continued success.

We also wish to acknowledge the support given to us by our customers, livestock producers and suppliers.

FINANCIAL

Our position was strengthened during 1974 by the increase in working capital of \$1,868,000 improving the current ratio from 1.68 in 1973 to 1.85 in 1974.

Our long-term debt at about \$2,000,000 is not burdensome. With each dollar covered by more than \$13 of shareholders' original and retained investment, the company is in a strong financial position.

Capital expenditures were \$2,945,000 in 1974 and consisted primarily of completing additional cooked sausage and luncheon meat capacity at the Kitchener plant. Planned expenditures for 1975 total approximately \$6,000,000 of which one-half is for a new head office building in Kitchener.

This will provide office services for expanded volume and is designed for a highly centralized operation, covering administration, sales, and distribution for the company and its subsidiaries on a national basis. Actual completion of this office building will not be until mid-1976. Present head office space will be used for expanded employee and plant services, including the laboratory and cafeteria.

The remaining \$3,000,000 will provide for increased, improved and modernized meat processing equipment and truck transport fleet. It is anticipated at this time that no additional equity or long-term debt financing will be required to complete this capital expenditure program.

The reduction in the rate of corporate tax and the accelerated depreciation allowances enacted by government legislation have materially helped the company. These two items have added considerably to our cash flow since their inception and assisted greatly in financing the capital expenditures during that period, with the resulting increases in capacity and productivity. The continuation of this legislation is essential if Canadian industry is to remain competitive at the national and international level.

The unfunded past service pension obligation increased to \$1,700,000 from \$744,000 for the previous year as a result of the new labour contracts negotiated during 1974. The need for increasing employees' pensions to offset the reduced purchasing power of the inflating dollar is the prime reason for this large rise. It is difficult to see how such obligations can continue to be undertaken, especially in light of the present atmosphere for investing pension funds.

Inflation is of mounting concern to us all. For the shareholder, the objective

of financial statements should be to provide them with information for predicting, comparing, and evaluating enterprise earning power as defined by the enterprise's cash generating ability. When the unit of measure or the dollar is rapidly changing in real purchasing power and in its rate of change, this becomes difficult.

Inflation affects different assets differently and thus different companies differently. On our balance sheet, the working capital or net position of current assets and current liabilities can be easily determined and is specifically set out in the statement of changes in financial position. This is the net pool of liquidity available to finance operations. The use to which this pool is put is reflected directly in our statement of earnings as we buy and sell, pay wages and salaries, and generally carry on our business. However, its erosion in real purchasing power, as measured by inflation, is not reflected. This would result in a significant charge, which is very real, against revenue, but which is not presently reflected in our statement of earnings.

The effect of inflation on fixed assets is also of importance. To the extent that these fixed assets are undervalued at current replacement costs, we have a serious understatement of net fixed assets and shareholders' equity. Adequate capital cost allowance based on current replacement cost would be another charge against revenue in the statement of earnings.

It seems obvious that if inflation continues at the same high rate seen in 1974, it will seriously affect the usefulness and comparability of financial statements as well as distorting present tax laws.

SALES & MARKETING

We have steadily been moving from a regional to a national meat processor. This geographical expansion continued strongly in 1974. Our excellent progress in the Western and Maritime markets gives rise to optimism in future expansion. This progress has been made possible by the development of an efficient trucking system, utilizing both self-owned and hired vehicles.

During the year, new sales districts were created in the Vancouver, Winnipeg, Montreal, Halifax and Kitchener areas. Recognizing the need to concentrate on our customers' specific needs, sales specialization has been expanded. Food service and chain store specialists are now an integral part of our organization.

The development of an aggressive and sophisticated marketing attitude is of prime importance to our future success. The marketing organization was restructured in 1974 into two key areas: product planning management—dealing with consumer processed goods, and commodity management—dealing with the acquisition and disposition of raw materials.

Our national pricing policy has been important in the development of our expanding market. In addition, the national advertising budget will be substantially increased in 1975 which should assist in continuing our market penetration of these new areas.

OPERATIONS

Production and distribution facilities operated by the company and its subsidiaries across Canada can be summarized as follows:

LOCATION	OPERATION	AVERAGE NO. OF EMPLOYEES DURING FISCAL 1974
Ayr, Ontario	Manufactures meat patties and cooked chicken.	91
St. Isidore, Ontario	Manufactures natural cheese.	33
Wellesley, Ontario	Processes, ages and packages cheese.	33
Kitchener, Ontario	Slaughters pork, beef and poultry; processes fresh meats, pork, sausage, cooked meat, etc. Distributes all products nationally.	2,089
Winnipeg, Manitoba (Flora Ave. Plant)	Manufactures corned beef, salami, pepperoni, and other sausage products, and herring.	44
Winnipeg, Manitoba (Panet Road Plant)	Manufactures Hot Rods. Distributes products in Manitoba, Saskatchewan and Alberta.	73
Winnipeg, Manitoba (O.K. Packers)	Slaughters pork and beef. Processes fresh meats.	99
Thunder Bay, Ontario Winnipeg, Manitoba (Weidman Food Distributors)	Stocks and distributes a wide variety of products to food service accounts in Manitoba and Northwestern Ontario.	68
Burnaby, British Columbia	Manufactures fresh pork sausage. Distributes all products in British Columbia.	37
		2,567



With installation of a high capacity, continuous wiener line and new pork cutting facilities, the recent Kitchener production addition is now fully occupied. Modernization and streamlining of production operations in the vacated portions of the older facilities will continue in 1975. Improved efficiencies will result.

Very recently, our already comprehensive data processing centre has been expanded by the replacement of an IBM '360' with an IBM '370' system. This is located in Kitchener and is the heart of the data processing operation. Our concept is to have a national system with a high degree of centralized control.

The Weidman operation in Winnipeg was converted from a wholesale grocery distributor to a food service distributor during fiscal 1974.

EMPLOYEE RELATIONS

During the year, nine labour contract negotiations were completed. Seven of these were with the Schneider Employees' Association. Most of the meat operation contracts were for terms of twenty-six months, with shorter contracts in the cheese and food distribution areas. One other contract expires in April, 1975. Increases in direct wages will be at the rate of fifteen percent per year during the life of these contracts. In addition, fringe benefits costs will increase substantially. There is no doubt that these increased wage costs are significant components in the rising cost of food.

Only small improvements in productivity were possible during the year because of construction interruptions, moves into new facilities and break-in costs of new processes and equipment.

For at least forty years, this company has had a plan for sharing profits with its employees. Profit sharing

plans have undergone many changes, becoming more formalized in recent years with an equation for calculating shared profit. To simplify our former plan, we have amended it according to the two by-laws proposed by the Board of Directors for shareholder approval at the Annual Meeting. This is covered by 'Note 8' of the Consolidated Financial Statements and the 'Information Circular' enclosed with this report.

It has been a longstanding policy of the company to make shares available to employees. In the fall of 1972, employees were offered options under a payroll deduction purchase plan. Under this plan, 61,803 shares were sold in 1973 to 628 employees. Stock options have been offered to senior executives annually for the past three years. It is our intention to repeat such offers in the future. For this reason, the Board of Directors is recommending shareholder approval for setting aside Class B shares for use in the Employee Stock Purchase Plan and the Executive Stock Option Plan. This is covered in more detail in 'Note 6' of the Consolidated Financial Statements and in the circular enclosed with this report.

The personal philosophy of the founder, John Metz Schneider, of fair treatment and respect for his employees, suppliers, and customers has established a superior level of quality products, services, and human relationships that exists today. Management continues to be sensitive to employees' needs for good working conditions, involvement, recognition and opportunity for advancement. We believe this is reflected in the high degree of care and concern shown by the staff and their pride in being 'Schneider' employees.

BOARD OF DIRECTORS

Since our last annual report, Gordon A. Mackay has been appointed Corporate Secretary and Grace Hartleib, Assistant Corporate Secretary. The Board consists of 11 members, 7 of whom are the senior officers of the company, being the Chairman, President, and the Vice-Presidents of Marketing, Operations, Finance, Personnel and Research & Development. The other full-time company employee on the Board is Richard W. Steinberg, Director Technical Services. Gordon A. Mackay, the Corporate Secretary, is a senior partner in a local law firm. Howard W. Main and Milton Good are senior officials in two large local businesses, involved primarily in home appliances and building materials, respectively.

The Board held 9 meetings during 1974. To expedite its business, the Board is recommending the formation of an Executive Committee. For this purpose, a by-law has been passed and is being recommended for shareholders' approval at the April 9, 1975, annual meeting.

SHARE OWNERSHIP

The following table shows the make-up of share ownership as at the fiscal 1974 year end:

	% OF SHARE CLASS HELD	
	COMMON	CLASS B & C PREFERENCE
Active Company		
Employees	49.0%	21.0%
Other Canadian	50.9%	78.8%
Non-Canadians	.1%	.2%
	100%	100%

Total shares outstanding—

Common: 379,799 shares
Class B & C Preference: 2,320,928 shares

Class B and C Preference shares are non-voting unless dividends are in arrears in accordance with the provisions creating them, but otherwise share equally in dividends with Common, except for a prior right to 24¢ per share. Class B and C Preference shares are freely interchangeable and are similar in all respects except that B dividends are taxed normally in the hands of the recipient whereas C dividends have 15% tax deducted by the company and the remainder is tax-free to the recipient.

More than 51% of the Common shares are owned by members of the Schneider family.

GOVERNMENT AND AGRICULTURE

Canada is blessed with excellent climate and land for food production. It is one of the few favoured nations which has the capacity to sell more food than it buys.

The farmer, processor, consumer and taxpayer are not well served by short-term, politically expedient agricultural policy. There are certain fundamentals which we consider as basic in this area.

First, there should be no restriction of movement of either raw or processed farm products nationally. Economics should dictate the flow and production of food in Canada.

Secondly, prices should be set by the free interplay of supply and demand. The system whereby live hogs are auctioned anonymously to the highest bidder in the Ontario and Manitoba provinces is perhaps the purest expression of this sort of free market.

Thirdly, marketing boards can benefit both consumer and producer by creating an orderly flow of product as needed. However, the granting of both price fixing and quota-setting powers to a board composed solely of producers can be dangerous and may not be in the interest of all Canadians. Such power necessitates much broader board representation.

Fourthly, special restrictions for controls may be needed from time to time to stimulate or protect Canadian agriculture. An example is the present tariff on beef imports to protect against depressed market conditions in the United States. These should always be both temporary and least disruptive to long-term economic patterns of trade and production.

Finally, food aid to the starving is a commendable part of Canadian foreign policy, but it must not be at the expense of the producer in either his long-term economic returns or the stability of his markets.

As we entered fiscal 1975, the rate of inflation in Canada showed no signs of abating. We anticipate price inflation in Canada will be in the order of eleven to twelve percent for 1975, and the best that we can say, at this point, is that it will continue to worsen at a marginally slower rate than it has in previous years. There is no costless or painless way to bring this advance to a halt.

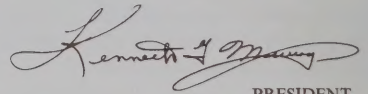
Cattle supplies in Canada will be adequate for our needs in 1975. World stocks of beef are burdensome and will be so for all of the year. 1975 is a period

of adjustment for the cattle industry, which may well continue into 1976.

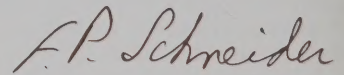
Hog supplies will be down in fiscal 1975. Forecasts indicate eleven percent fewer hogs.

Inadequate world supply of feed grains will continue to create upward price pressure on the most significant input cost in livestock feeding.

Fiscal 1975 will be a year which will require the best efforts of all our staff if we are to achieve our objectives. We are confident that we will continue to receive loyal support from all our employees.



PRESIDENT



CHAIRMAN



COST

73.5¢ MATERIALS

Livestock, Dressed Meat, Ingredients,
Food Products, Packages & Cartons

14.9¢ EMPLOYEES

Wages, Benefits & Bonuses

8.7¢ OPERATING EXPENSES

Supplies, Utilities, Business Services,
Selling, Administration, Maintenance,
Depreciation & Distribution

1.3¢ INCOME TAXES

Federal & Provincial

1.6¢ PROFIT

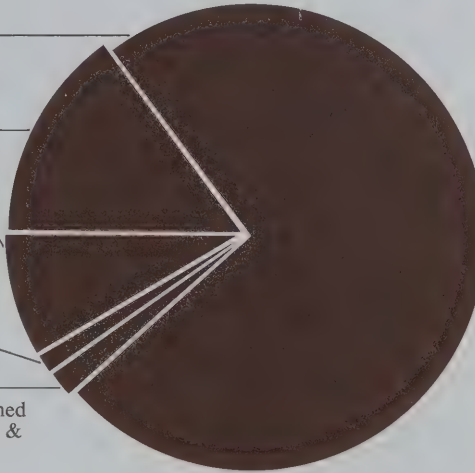
.4¢ for Dividend Payments, 1.2¢ Retained
in Business for Continuous Operations &
Future Growth

SERVICE PROVIDED

Market for Livestock

Efficient & Economical Conversion of Raw
Materials to Safe, Wholesome Food,
Providing Variety & Convenience

Warehousing and Distribution to Where
It Is Needed, When It Is Needed, & In the
Proper Quantities



Year Ended October 26, 1974 (with comparative figures for 1973)	1974 (IN THOUSANDS)	1973
Sales	\$202,270	\$177,191
Expenses		
Raw materials	141,881	128,495
Packaging materials	6,807	5,188
Manufacturing	28,891	21,769
Marketing and distribution	11,472	11,140
Administrative and general	5,492	4,180
Interest on long term debt	185	188
Depreciation and amortization (notes 1 and 4)	1,671	1,602
	196,399	172,562
Earnings before income taxes	5,871	4,629
Income taxes	2,585	1,921
NET EARNINGS FOR THE YEAR	\$ 3,286	\$ 2,708
EARNINGS PER SHARE (note 1)	\$1.21	\$1.04

Consolidated Statement of Retained Earnings

Year Ended October 26, 1974 (with comparative figures for 1973)	1974 (IN THOUSANDS)	1973
Balance at beginning of year	\$16,181	\$14,200
Net earnings for the year	3,286	2,708
	19,467	16,908
Dividends on		
Class B preference shares, in cash	481	410
Class C preference shares		
Cash	183	179
Tax paid on undistributed income	32	32
Common shares, in cash	114	106
	810	727
BALANCE AT END OF YEAR	\$18,657	\$16,181



Consolidated Statement of Changes in Financial Position

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Year Ended October 26, 1974 (with comparative figures for 1973)	1974 (IN THOUSANDS)	1973
WORKING CAPITAL DERIVED FROM		
Operations		
Net earnings for the year	\$ 3,286	\$2,708
Items not involving current funds		
Depreciation and amortization	1,671	1,602
Deferred income taxes	681	469
	5,638	4,779
Sales of fixed assets	62	92
Reduction in mortgages receivable	10	
Issue of Class B preference shares		
For cash	1	617
For acquisition of subsidiary companies and other businesses		2,340
	5,711	7,828
WORKING CAPITAL APPLIED TO		
Additions to fixed assets		
On acquisition of subsidiary companies and other businesses		857
Other	2,945	2,876
Dividends, including tax paid on undistributed income	810	727
Decrease in non-current portion of long term debt	54	76
Excess of cost over book values at dates of acquiring shares of subsidiary companies	34	488
Acquisition of goodwill		1,577
Increase in mortgages receivable		18
	3,843	6,619
INCREASE IN WORKING CAPITAL	1,868	1,209
WORKING CAPITAL AT BEGINNING OF YEAR	9,713	8,504
WORKING CAPITAL AT END OF YEAR	\$11,581	\$9,713

ASSETS October 26, 1974 <i>(with comparative figures at October 27, 1973)</i>	1974 (IN THOUSANDS)	1973
CURRENT ASSETS		
Accounts receivable	\$ 9,291	\$ 8,966
Inventories (notes 1 and 2)	14,768	14,170
Other	1,197	827
TOTAL CURRENT ASSETS	25,256	23,963
MORTGAGES RECEIVABLE, at cost	64	74
FIXED ASSETS (notes 1 and 3)		
Land and improved areas, buildings, machinery and equipment, at cost	30,619	27,911
Less accumulated depreciation	13,655	12,251
TOTAL FIXED ASSETS	16,964	15,660
INTANGIBLES		
Excess of cost over book value at dates of acquiring shares of subsidiaries, less amortization (note 1)	1,920	1,971
Goodwill, at cost less amortization (notes 1 and 4)	1,537	1,544
TOTAL INTANGIBLES	3,457	3,515
TOTAL ASSETS	\$45,741	\$43,212



Consolidated Balance Sheet

11

LIABILITIES October 26, 1974 (<i>with comparative figures at October 27, 1973</i>)	1974 (IN THOUSANDS)	1973
CURRENT LIABILITIES		
Bank advances	\$ 5,074	\$ 7,010
Accounts payable and accrued liabilities	8,127	7,060
Income taxes payable	420	145
Principal due within one year on long term debt	54	35
TOTAL CURRENT LIABILITIES	13,675	14,250
LONG TERM DEBT (note 5)	2,109	2,163
DEFERRED INCOME TAXES (note 1)	2,510	1,829
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)	8,322	8,321
CONTRIBUTED SURPLUS (notes 1 and 7 (a))	468	468
RETAINED EARNINGS	18,657	16,181
TOTAL SHAREHOLDERS' EQUITY	27,447	24,970
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$45,741	\$43,212
CONTINGENT LIABILITIES AND COMMITMENTS (notes 1, 3 and 7)		

Approved by the Board F. P. Schneider, *Director*
D. C. Jamieson, *Director*

To the Shareholders of J.M. Schneider, Limited

We have examined the consolidated balance sheet of J.M. Schneider, Limited as at October 26, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 26, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Kitchener, Ontario, December 9, 1974

**Year ended October 26, 1974****1. Summary of Accounting Policies****CONSOLIDATION POLICY**

The consolidated financial statements include the accounts of the wholly owned subsidiary companies:

- J. M. Schneider Western Ltd.
- J. M. Schneider Foods Corporation
- J. M. Schneider (B.C.) Limited

In 1973, the consolidated financial statements included the accounts of Apple Hill Cheese Limited and J. M. Schneider Foods Limited, which companies were amalgamated into J. M. Schneider Foods Corporation by certificate of amalgamation dated April 26, 1974, effective as of October 27, 1973.

INVENTORIES

Products, which include raw material, work in process and finished goods, are valued at lower of cost and net realizable value. Since most products can be sold at any stage in their production it is not practical to segregate them into raw materials, work in progress or finished goods. Cost includes laid down material cost and manufacturing labour and certain elements of overhead to the stage of production completion. Net realizable value is based on the adjusted wholesale trading price at balance sheet date. Supplies, which include packaging and manufacturing materials, are valued at the lower of cost and replacement cost.

FIXED ASSETS

Fixed assets are valued at cost less accumulated depreciation. Cost includes capitalized interest incurred on major projects during the period of construction. Depreciation is provided on a straight line basis to amortize the cost of the assets over their estimated useful life. Depreciation is not provided on assets under construction.

Renovations of significant value but which do not warrant capitalization are deferred and written off over periods of up to three years commencing in the first month of usage.

INTANGIBLES

Goodwill and the excess of cost over book value at dates of acquiring shares of subsidiaries or businesses are being amortized on a straight line basis over forty years.

DEFERRED INCOME TAXES

Deferred income taxes are provided for timing differences in reporting expenses for financial statements and income tax purposes. The company's policy is to reduce income taxes currently payable by following the procedures available under the income tax acts. The accumulated total of such income tax deferments, which arose to a large degree by claiming capital cost allowances in excess of depreciation and amortization recorded in the accounts, is reflected in the balance sheet as "Deferred income taxes".

ONTARIO DEVELOPMENT CORPORATION LOAN

The company in 1970 included in contributed surplus an interest free loan of \$250,000 which will be forgiven over a period of six years from the date of receipt (note 7(a)).

PENSION PLANS

The unfunded past service obligation under pension plans is charged against income in the year in which it is paid (note 7(b)).

EARNINGS PER SHARE

Earnings per share have been calculated using the weighted average number of shares outstanding in the year.

2. Inventories

	1974	1973
Products	\$13,742,000	\$13,483,000
Supplies	1,026,000	687,000
	\$14,768,000	\$14,170,000

3. Fixed Assets

	1974		1973	
	COST	ACCUMULATED DEPRECIATION	NET	NET
Land and improved areas	\$ 840,000	\$ 86,000	\$ 754,000	\$ 752,000
Buildings	11,820,000	4,089,000	7,731,000	7,861,000
Machinery and equipment	17,959,000	9,480,000	8,479,000	7,047,000
	\$30,619,000	\$13,655,000	\$16,964,000	\$15,660,000

The Board of Directors has approved a 1975 capital expenditure program of \$6,005,000 which includes a new administration building.

4. Goodwill

Goodwill is being amortized on a straight line basis over forty years with \$41,000 (\$33,000 in 1973) deducted in computing earnings for the year.

5. Long Term Debt

	1974	1973
7% Debenture		\$ 7,000
7% First mortgage serial bonds maturing January 2, 1975	\$ 37,000	50,000
9½% Debenture, payable \$2,000 monthly including principal and interest and maturing September 1, 1980	126,000	141,000
8½% Debenture, with interest payable semi-annually, principal payable \$100,000 annually commencing June 1, 1977 and maturing June 1, 1991	2,000,000	2,000,000
	2,163,000	2,198,000
Less principal included in current liabilities	54,000	35,000
	\$2,109,000	\$2,163,000

Principal due within each of the next five years is as follows:

1975	\$ 54,000
1976	18,000
1977	120,000
1978	122,000
1979	124,000

A first mortgage on land and buildings of J. M. Schneider Foods Corporation, a fixed and specific charge on land, building, fixtures and equipment of J. M. Schneider Western Ltd. and a floating charge on all assets of J. M. Schneider, Limited and J. M. Schneider Western Ltd. have been given as security for long term debt.

6. Capital Stock

The authorized and issued capital stock as at October 26, 1974 is as follows:

Authorized

4,784,488 24¢ Cumulative participating Class B preference shares without par value (1973, 4,754,453 shares)

716,512 24¢ Cumulative participating Class C preference shares without par value (1973, 746,547 shares)

379,799 Common shares

Issued	1974	1973
1,605,416 Class B preference shares (1973, 1,575,281 shares)	\$5,592,000	\$5,486,000
715,512 Class C preference shares (1973, 745,547 shares)	2,492,000	2,597,000
379,799 Common shares (1974 and 1973)	238,000	238,000
	\$8,322,000	\$8,321,000

The cumulative participating Class B preference and the cumulative participating Class C preference shares are convertible one into the other at any time at the option of the holder. By virtue of The Business Corporations Act, upon any such conversion, the number of authorized and outstanding shares of each class affected by such conversion is changed accordingly. In view of the convertible nature of Class B and Class C shares the total value of these shares is prorated between the classes on a share for share basis and the 1973 values have been reclassified on this basis.

During the year 100 Class B preference shares were issued at \$7.50 per share for options to executives and key employees under the Stock Option Plan.

From time to time the company reserves Class B shares under its Stock Option Plan for issuance upon the exercise of options which may be granted at the discretion of the Board of Directors to executives and key employees of the company. Such shares are to be issued at a price not less than the greater of (a) the average of the high and low sale price for such shares as reported by The Toronto Stock Exchange for the week previous to the time of the granting of the option or (b) 90% of the market price (as defined) of such shares at the time of granting the option. The option period may extend up to five years from date of grant and such option may be exercised in full at any time during such period.

Outstanding options at October 26, 1974 are as follows:

YEAR	NUMBER OF SHARES GRANTED	ISSUED	PRICE PER SHARE	DATE OF EXPIRY
1972	17,000	4,000	\$ 9.00	August 31, 1977
1973	14,000		\$11.00	December 5, 1978

At October 26, 1974, 42,650 Class B preference shares were reserved for issuance under the Stock Option Plan.

Subsequent to the date of the financial statements additional options were granted for 14,000 Class B shares, exercisable at \$7.25 per share until November 18, 1979.

7. Contingent Liabilities and Commitments

(a) An interest free loan of \$250,000 received from the Ontario Development Corporation in 1970 will be forgiven over a period of six years from the date of receipt provided the company continues to operate its meat processing plant at Ayr, Ontario. An amount of \$25,000 was forgiven in each of the years commencing with 1971.

(b) It is estimated that the unfunded past service obligation under pension plans amounts to \$1,713,000. Annual payments of \$171,000 are required to liquidate this obligation by December 31, 1989. During the year the company paid \$207,000 (\$69,000 in 1973) against the past service obligation. The related costs are being charged against income in the year of payment.

8. Profit Sharing Plans

On November 18, 1974 the directors approved for subsequent ratification by the shareholders a new profit sharing plan and a management incentive bonus plan effective October 27, 1974. These plans will provide on an annual basis for the sharing between all employees of an amount equal to 6% of consolidated earnings before profit sharing and income taxes. In addition, if earnings warrant, additional remuneration will be shared by management employees equal to 20% of the earnings before income taxes reduced by the provision for the profit sharing plan and by an amount equivalent to 20% of shareholders' equity.

Under the present plan, profit sharing for 1974 amounted to \$618,000 (\$404,000 in 1973). If the new plans had been in effect throughout 1974, net earnings would not have been materially affected.

9. Other Statutory Information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) for the year amounted to \$441,000 (\$410,000 in 1973).



Ten Year Statistical Review

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(THOUSANDS OF DOLLARS)	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Sales	\$202,270	\$177,191	\$116,465	\$84,163	\$79,289	\$70,181	\$61,067	\$57,902	\$58,898	\$48,127
Earnings										
Earnings before income taxes	\$5,871	\$4,629	\$3,715	\$3,185	\$2,878	\$2,693	\$2,264	\$2,140	\$2,745	\$1,808
Income taxes	\$2,585	\$1,921	\$1,708	\$1,599	\$1,531	\$1,444	\$1,195	\$1,109	\$1,399	\$956
Net earnings	\$3,286	\$2,708	\$2,007	\$1,586	\$1,347	\$1,249	\$1,069	\$1,031	\$1,346	\$852
Basic earnings per share	\$1.21	\$1.04	\$.93	\$.84	\$.71	\$.66	\$.56	\$.54	\$.73	\$.46
Percent of sales	1.62%	1.53%	1.72%	1.88%	1.70%	1.77%	1.75%	1.78%	2.29%	1.77%
Dividends (including tax paid on undistributed income)	\$810	\$727	\$601	\$494	\$456	\$299	\$244	\$688	\$166	\$155
Rate per share	30¢	28¢	28¢	26¢	24¢	16¢	13¢	36¢	9¢	9¢
Capital expenditures	\$2,945	\$3,733	\$2,950	\$3,509	\$1,944	\$2,413	\$1,355	\$1,398	\$1,477	\$829
Depreciation and amortization	\$1,671	\$1,602	\$1,382	\$1,175	\$998	\$888	\$859	\$776	\$626	\$571
Salaries, wages and employee benefits	\$30,226	\$24,718	\$21,537	\$18,767	\$15,701	\$13,953	\$12,270	\$11,466	\$9,978	\$8,840
Average number of employees	2,567	2,392	2,244	1,985	1,880	1,731	1,733	1,688	1,551	1,438
Working capital	\$11,581	\$9,713	\$8,504	\$5,618	\$4,832	\$4,348	\$4,800	\$4,283	\$4,391	\$3,962
Working capital ratio	1.85	1.68	2.04	2.31	2.43	2.23	2.73	3.09	3.29	4.82
Total assets	\$45,741	\$43,212	\$31,781	\$22,175	\$18,012	\$16,730	\$14,907	\$13,381	\$12,734	\$10,795
Shareholders' equity	\$27,447	\$24,970	\$20,032	\$14,452	\$13,360	\$12,219	\$11,269	\$10,428	\$9,739	\$8,523
Percent return on equity	11.97%	10.85%	10.02%	10.97%	10.08%	10.22%	9.49%	9.89%	13.82%	9.99%
Equity per share, in dollars	\$10.16	\$9.25	\$8.36	\$7.61	\$7.04	\$6.43	\$5.93	\$5.50	\$5.28	\$4.64
Number of shares outstanding (thousands)	2,701	2,701	2,395	1,899	1,899	1,899	1,899	1,897	1,843	1,836
Number of shareholders	2,379	2,560	2,217	1,955	2,002	1,995	506	455	422	322

Notes

1. The number of shares outstanding and per share earnings and dividends have been recalculated to give effect to the stock split in 1969.
2. Basic earnings per share have been calculated using the weighted average number of shares outstanding.

J. M. Schneider, Limited

HEAD OFFICE AND PLANT

321 Courtland Avenue East
Kitchener, Ontario

PLANT

Northumberland Street
Ayr, Ontario

PLANT

O.K. Packers Division
341 Dupuy Street
Winnipeg, Manitoba

BRANCH OFFICE

The Abco Centre
3767 Howe Avenue, Suite 206
Halifax, Nova Scotia

BRANCH OFFICE

6655 Cote des Neiges, Suite 255
Montreal 249, Quebec

BRANCH OFFICE

381 Churchill Avenue, Suite 4
Ottawa, Ontario

BRANCH OFFICE

Bloordale Square
385 The West Mall, Suite 253
Etobicoke, Ontario

BRANCH OFFICE

Treasure Island Plaza, Suite 101
Wellington Street & Highway 401
London, Ontario

BRANCH OFFICE

210 Cedar Street, Suite 303
Sudbury, Ontario

J. M. Schneider Western Ltd.

OFFICE AND PLANT

140 Panet Road
Winnipeg 6, Manitoba

PLANT

358 Flora Avenue
Winnipeg, Manitoba

OFFICE AND WAREHOUSE

Weidman Food Distributors Division
60 Bunting Street
Winnipeg, Manitoba

WAREHOUSE

147 Hardisty Street North
Thunder Bay F, Ontario

J. M. Schneider (B.C.) Limited

OFFICE AND PLANT

4305 Dawson Street
North Burnaby, B.C.

J. M. Schneider Foods Corporation

PLANT

St. Isidore-de-Prescott, Ontario

PLANT

R.R. #2, Wellesley, Ontario

